



FUTUTECH BERHAD (122592-U)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED
31 MARCH 2006**

INFORMATION REQUIRED BY FINANCIAL REPORTING STANDARDS (FRS) 134

A1. Basis of Preparation

This interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") applicable to the Group, effective for financial period beginning 1 January 2006 :

- FRS 3 Business Combinations
- FRS 101 Presentation of Financial Statements
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets

The adoption of the above FRSs do not have significant financial impact on the Group, except as presented below :-

(a) FRS 3 : Business Combination; FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets.

The new FRS 3 has resulted in consequential amendments to two other accounting standards, i.e. FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight -line basis over a period of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006.

The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM5,300,477 against the carrying amount of goodwill. As such, the carrying amount of goodwill arising on consolidation as at 1 January 2006 of RM11,451,112 ceased to be amortised. This has the effect of reducing the Group's loss before taxation by RM209,150 in the current financial quarter.



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In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually. Accordingly, patent of the Group is considered to have an indefinite life. In accordance with the transitional provisions of FRS 138, the change in the useful life assessment from finite to indefinite is made on a prospective basis. The carrying amount of intangible assets as at 1 January 2006 of RM9,879,744 ceased to be amortised. This has the effect of reducing the Group's loss before taxation by RM129,867 in the current financial quarter.

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of consolidated balance sheet, consolidated income statement as well as the consolidated statement of changes in equity. Among other things, minority interests are now presented within total equity in the consolidated balance sheet and are presented as an allocation of the total profit or loss for the period in the consolidated income statement.

FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The presentation of the current financial period of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the new presentation.

A2. Audit Report

The audited financial statements of the Company for the preceding financial year ended 31 December 2005 were not subject to any qualification.

A3. Seasonal or Cyclical Factors

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items during the current financial quarter affecting the assets, liabilities, equity, net income or cashflow of the Group.

A5. Changes in Estimates

There were no estimation of amount used in the previous interim reports having a material impact in the current interim report.



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A6. Debt and Equity Securities

There were no issuance or repayment of any debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year-to-date.

A7. Dividends Paid

No dividend has been paid during the current financial quarter.

A8. Segmental Information

The Group's operations are substantially in the manufacturing sector. The following analysis of activities are based on geographical basis.

	Quarter and Year-to-Date ended 31.03.2006 (RM'000)
Segment Revenue	
-- Malaysia	11,868
-- Other Countries	2,887
	14,755
Elimination of Inter-Segment Sales	(3,037)
Group Revenue	11,718
Segment Results	
-- Malaysia	(2,088)
-- Other Countries	(325)
	(2,413)
Elimination	(196)
Loss from Operations	(2,609)

A9. Valuations of Property, Plant and Equipment

There were no amendments in the valuation amount of revalued assets brought forward from the previous audited financial statements.

A10. Subsequent Material Events

There were no material events in the interval between the end of the current financial quarter and 24 May 2006.

A11. Changes in Composition of the Group

There were no material effect of changes in the composition of the Group during the current financial quarter.



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A12. Changes in Contingent Liabilities or Contingent Assets

As at 31 March 2006, the Company has given corporate guarantees amounting to RM23.5 million (as at 31 December 2005 : RM26.0 million) to financial institutions for credit facilities granted to certain subsidiary companies.

A13. Capital Commitments

	As at 31.03.2006 (RM'000)
Plant and equipment :	
Contracted but not provided for	2,422

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

Revenue for the current quarter is about the same as the last corresponding quarter, amounted to RM11.7 million. Lower sales contribution from both lighting and point-of-sale advertising (POS) products was compensated by our new kitchen cabinet division.

Although the construction industry as a whole still faces challenging conditions, there is an increasing number of high-end residency developments. In view of this prospect, the Group had ventured into providing design and production of customised kitchen cabinets which has contributed about 27 percent of the Group's sales for the quarter under review.

Overall, the Group is still operating under its capacity. As a result, the Group recorded a loss before tax of RM3.0 million, a small improvement from the loss before tax of RM3.7 million in the corresponding quarter 2005.

B2. Comparison of Profit Before Taxation for the Current Quarter with Immediate Preceding Quarter

	Current Quarter ended 31.03.2006 (RM'000)	Preceding Quarter ended 31.12.2005* (RM'000)
Revenue	11,718	19,623
Consolidated Loss Before Tax	(3,014)	(5,894)

* Based on audited financial statements for the financial year ended 31 December 2005.

Revenue dropped to RM11.7 million from preceding quarter of RM19.6 million, mainly related to much lower POS sales contribution. Loss before tax reduced from preceding quarter of RM5.9 million to a loss before tax of RM3.0 million.



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For the preceding quarter, the loss amount included a one-off provision made by a subsidiary for an impairment loss on the intangible assets amounting to about RM4.7 million.



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B3. Prospects

The Board of Directors will continue to work towards achieving a better result for the remaining quarters of the financial year.

B4. Profit Forecast

Not applicable as no profit forecast was published.

B5. Taxation

Current Taxation

Quarter and Year-to-Date ended 31.03.2006 (RM'000)
186

Although the Group recorded a loss, taxation was incurred as certain expenses are disallowed for tax purposes and losses recorded by certain subsidiaries are not allowed to be set-off against taxable profits of other subsidiaries as group tax relief is not available.

B6. Profit on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties during the current financial quarter.

B7. Quoted Securities

Investments in quoted securities as at 31 March 2006 are as follows :-

	RM
At cost	19,800
At carrying value	5,400
At market value	2,400

B8. Status of Corporate Proposals

As at 24 May 2006, there were no corporate proposals announced but not completed.



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B9. Group Borrowings and Debt Securities

	As at 31.03.2006 (RM'000)
a) Secured borrowings	25,756
Unsecured borrowings	82
	25,838
b) Short term	
- bank overdraft	3,518
- trade facilities	104
- hire purchase creditors	1,097
- term loans	11,406
	16,125
Long term	
- hire purchase creditors	2,702
- term loans	7,011
	9,713
Total Borrowings	25,838

B10. Off Balance Sheet Financial Instruments

There are no financial instruments with off balance sheet risk issued as at 24 May 2006.

B11. Material Litigation

There is no pending material litigation as at 24 May 2006.

B12. Dividends

No interim dividend has been declared for the current financial quarter.

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B13. Earnings Per Share

	Quarter and Year-to-Date Ended	
	31.03.2006	31.03.2005
Earnings		
Profit / (loss) attributable to equity holders of the parent (RM'000)	(3,266)	(3,654)
a) Basic		
Issued ordinary shares at the beginning of the period ('000)	58,726	57,769
Effect of shares issued ('000)	-	151
Weighted average number of ordinary shares ('000)	58,726	57,920
Basic earnings / (loss) per share attributable to equity holders of the parent (Sen)	(5.56)	(6.31)
b) Diluted		
Weighted average number of ordinary shares ('000)	58,726	57,920
Effect of share options ('000)	-	819
Weighted average number of ordinary shares (diluted) ('000)	58,726	58,739
Fully diluted earnings / (loss) per share attributable to equity holders of the parent (Sen)	*N/A	N/A*

** The effect on the basic losses per share arising from the assumed Employee Share Option Scheme is anti-dilutive. Accordingly, diluted losses per share have not been presented.*